

# CERF



COUNTY EMPLOYEES' RETIREMENT FUND

## **Summary Annual Report**

For the Fiscal Year Ending December 31, 2013

Helping you build a brighter tomorrow

# COUNTY EMPLOYEES' RETIREMENT FUND

## CERF Pension Plan Information

CERF Administrative Office  
2121 Schotthill Woods Drive  
Jefferson City, MO 65101

Telephone: (573) 632-9203  
Toll-Free: (877) 632-2373  
Facsimile: (573) 761-4404  
Website: [www.mocerf.org](http://www.mocerf.org)  
E-mail: [admin@mocerf.org](mailto:admin@mocerf.org)

## CERF Savings Plan Information

Great-West Financial  
133 South 11th Street, Ste. 230  
St. Louis, MO 63102

Toll-Free: (877) 895-1394  
Facsimile: (855) 785-7329  
Website: [www.gwrs.com](http://www.gwrs.com)\*  
E-mail: [james.ellison@gwrs.com](mailto:james.ellison@gwrs.com)  
KeyTalk® Info Line: (800) 701-8255\*

\*User Name and Personal Identification Number required.

## COUNTY EMPLOYEES' RETIREMENT FUND 2013 Board of Trustees

**Jim Atchison** – *Board Member*

**Mark Bridges** – *Board Member*

**Ken Dillon** – *Board Member*

**Conny Dover** – *Board Member*

**Rosemary Gannaway** – *Secretary*

**Elaine Luck** – *Chair*

**Kay Murray** – *Board Member*

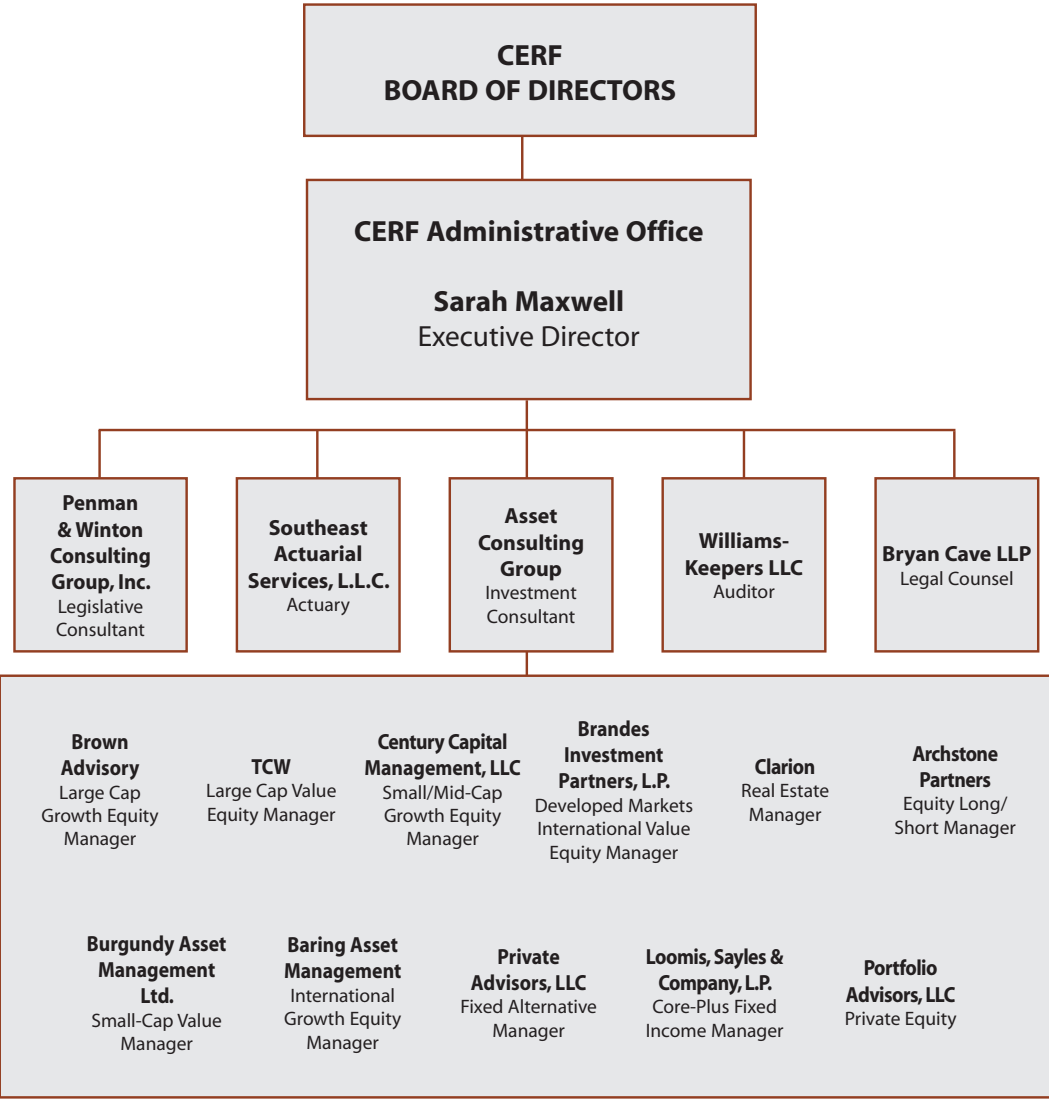
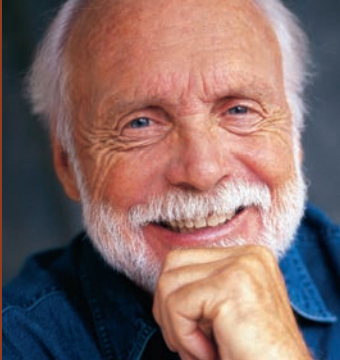
**Tom Ruhl** – *Board Member*

**Wayne Scharnhorst** – *Vice-Chair*

**Sherry Shamel** – *Board Member*

**Vacant** – *Board Member*

# ADMINISTRATIVE STRUCTURE



*This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri’s Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:*

*CERF Plan Administrator  
2121 Schotthill Woods Drive  
Jefferson City, MO 65101*

*The actual language of the statutes and rules and regulations creating and implementing the County Employees’ Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees’ Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.*

# CERF Pension Plan

## Eligibility

Full-time employees (scheduled to work at least 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.

## Participation

Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.

## Contributions

House Bill 1455 requires all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.

## Vesting

A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.

## Prior Service

Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.

## Early Retirement

Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.

## Cost-of-Living Adjustment

The Board may authorize a Cost-of-Living Adjustment (COLA) each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. COLAs will become effective on July 1 of each year.

## Survivor Benefits

ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000. NON-VESTED MEMBERS: Senate Bill 625, effective 8/28/2012, allows a refund of contributions to the beneficiary(ies) of active members who die after December 31, 2002, and before becoming vested.

MARRIED, VESTED MEMBERS: If a vested participant dies before his or her pension begins, his or her surviving spouse can apply for a 50% spousal pension benefit.

SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.

RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.

# CERF Savings Plan

## Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

## Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

## Voluntary Contributions

In 2013, participants may contribute up to the lesser of \$17,500, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

## Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county, and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

## Vesting

Members are always 100% vested in their automatic (.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.

## Investment Options

A broad range of investment options is available, including the option to pick individual funds or invest through a selected portfolio.

## Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either KeyTalk at 800-701-8255 or the website at [www.gwrs.com](http://www.gwrs.com). You will need to use your user ID and personal identification number (PIN) provided to you by Great-West.

## Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.

## Rollovers and Plan Transfers

Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

## Need More Information

For more information on the CERF Savings Plan, please see the contact information on the first page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

# Investments

## CERF Investment Portfolio Background and Objectives

The purpose of CERF's investment program is to provide long-term benefits to the plan's participants, by investing the pension fund assets in the best interest of the fund's participants.

CERF's Board of Directors maintains an Investment Policy which articulates the fund's goals, objectives, and risk parameters. It states that the pension fund portfolio should be diversified among various investments, and should aim to achieve attractive investment returns within prudent risk parameters over a long-term time horizon.

## Total Portfolio Performance

CERF's Board of Directors has defined the portfolio's investment objectives by articulating targeted rates of return and levels of risk over a long term time horizon.

The following chart shows the pension fund's performance since its inception, compared to its objectives:

## Total Pension Fund Performance vs. Objectives

(December 31, 1994 - December 31, 2013)

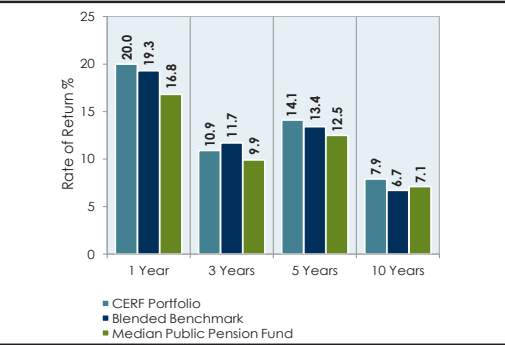
	Benchmark	CERF
Return Objectives		
At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis.*	9.0%	9.2%
The Pension Fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.4%	9.2%
The Pension Fund's total return should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital US Aggregate Bond Index	8.8%	9.2%
Risk Objective		
The Pension Fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital US Aggregate Bond Index	10.1	10.0

\*The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption by 1%, which is an absolute objective of 9%, net of management fees and transaction costs.

The chart below compares CERF's investment performance to relevant comparisons for the one, three, five, and ten year periods ending December 31, 2013. For most periods, including 2013, CERF's portfolio outperformed the benchmark and the median public pension fund.

## Total Portfolio Performance

For the Periods Ending December 31, 2013



## Total Portfolio Asset Allocation

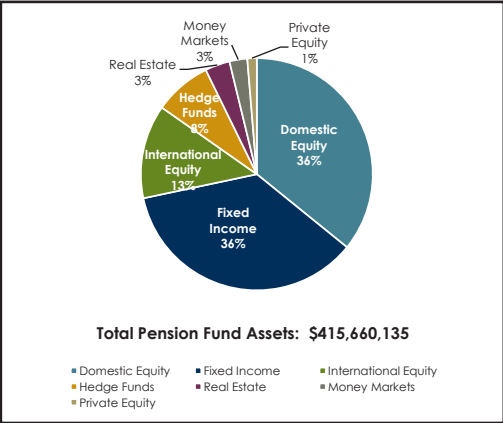
CERF's investment portfolio is well-diversified, with exposure to several different investment strategies (asset classes).

CERF's portfolio structure is continually monitored by the investment consultant and Board of Directors for appropriateness, given the stated investment objectives and guidelines. Assets are periodically rebalanced to keep the exposures to various investments within the stated ranges defined in the investment policy. Periodically, new asset classes are added to the mix to enhance diversification.

The portfolio's current target asset allocation mix is 65% equity, 30% fixed income and 5% real assets (real estate). Diversification goes beyond these broad asset classes, however, as the portfolio is invested in several sub-asset classes and investment managers, each with their own set of diversification criteria.

The chart below depicts the pension fund's asset allocation as of December 31, 2013:

## Current Portfolio Allocation



## Equity Portfolio Design

CERF is invested in equities (stocks) for the growth opportunities they provide. CERF owns different types of equities (domestic stocks, international stocks, hedged equity funds, and private equity), in different sizes (small, mid, and large capitalization stocks), in different styles (value and growth stocks) and with different investment management organizations. These different levels of diversification are an important part of the portfolio's implementation plan.

## Fixed Income Portfolio Design

CERF invests in fixed income (bonds) to enhance diversification, as over time, bonds are generally less volatile than stocks. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. Fixed income strategies in the portfolio have various diversification attributes such as quality, sector, geography, and security type.



# Investments

## Real Assets Portfolio Design

Real assets typically behave differently than stocks and bonds, and their low correlation to these other asset classes provides even further diversification to the investment portfolio. CERF's portfolio includes an allocation to real estate through a diversified real estate fund.

The real estate portfolio is invested in different geographic locations and different property types, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

## 2013 Year in Review

2013 was another interesting and eventful year for the global economic and financial markets. There were many mixed messages for investors throughout the year; some encouraging, some concerning. The European economy was slowly improving, but there were worries here at home about U.S. fiscal sequestration and the Federal Reserve talking about "tapering." While these concerns were at the forefront for the majority of the year, most obstacles were ultimately overcome and the year-end results for the markets were at near record levels.

For the most part, 2013 was another strong year for the stock markets. U.S. stocks (as measured by the S&P 500) were up 32% and non-U.S. stocks were up over 20%. The lone exception was emerging markets (China, India, Brazil, Russia and others), which were down 2%. The category of stocks that performed best was U.S. small capitalization stocks, which were up nearly 40% for the year.

Bonds were a different story, as the talk about tapering stimulus hurt bond prices. This resulted in negative returns for most bond investments for the year.

Commercial real estate continued its run of solid performance with a gain of 8% for the year.

2013 was another year where the benefits of diversification and the rewards for taking a long-term view and disciplined approach were significant to investors. The CERF portfolio earned 20% for the year, and has had an average annual growth of 14% for the past five years, since the market collapse of 2008.

## Ongoing Monitoring

The CERF Board of Directors works closely with their investment consultant to oversee all aspects of the investment program, including investment policy design and review, asset allocation, and ongoing investment manager due diligence.

CERF's investment managers provide regular updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board on a periodic basis.

CERF's Board of Directors and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues. In addition, interim meetings are held as needed. This ensures that the monitoring and oversight process for CERF's investment portfolio is ongoing.

The CERF Board's primary focus regarding the retirement funds is to develop and implement an investment program which is designed to achieve the stated investment objectives in a prudent manner over a long-term time horizon.

# Actuarial

## PLAN MEMBERSHIP

AS OF JULY 1, 2013

Covered Payroll	\$361,898,865
Average Pay per Active Member	\$33,229

## ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$150,988,676
Amortization of UAAL, with interest to mid-year*	\$ 11,727,377
Normal Cost, with interest to mid-year	\$ 16,365,269
Reduction in Normal Cost for Member Contributions	\$ 9,498,561
Annual Required Contribution as a percent of payroll	\$ 18,594,085 5.14%

## PLAN ASSETS

Market Value	\$375,314,931
Actuarial Value	\$360,289,802

## FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$438,661,265
Funded Ratios	
Accumulated Benefit Basis	82%
Actuarial Accrued Liability Basis	70%

\* Until July 1, 2011, the UAAL was being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995. As of July 1, 2011, the UAAL amortization was started fresh over a 20-year period. New components of the UAAL will be amortized over new 20-year periods as such components arise.



# Financial Statements



## STATEMENT OF PLAN NET POSITION DECEMBER 31, 2013

### ASSETS

Cash	\$ 2,177,305
Receivables:	
Member contributions	326,232
Member prior service contributions	141,307
County contributions	2,632,554
Receivable for pending investment sales	272,545
Accrued interest and dividends	874,324
Total receivables	<u>4,246,962</u>
Investments, at fair value	412,194,490
Invested securities lending collateral	62,597,940
Other assets	2,001
Capital assets, net of accumulated depreciation of \$2,353,952 and \$2,273,197	<u>4,303,299</u>
Total assets	<u>485,521,997</u>

### LIABILITIES

Accounts payable	517,501
Accrued defined contribution plan funding	2,531,548
Other accrued expenses	119,699
Unearned revenue	279,375
Payable for pending investment purchases	1,219,666
Collateral for securities on loan	<u>63,654,147</u>
Total liabilities	<u>68,321,936</u>
Net position-restricted for pension benefits	<u>\$ 417,200,061</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

# Retirement Fund

# Financial Statements



## STATEMENT OF CHANGES IN PLAN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2013

### ADDITIONS:

#### Contributions:

County receipts	\$ 20,348,888
By members	10,034,205
For members, paid by counties	1,063,647
Members, purchase of prior service	100,398
Total contributions	<u>\$ 31,547,138</u>

#### Investment income (loss):

##### Investing activities:

Net appreciation (depreciation) in fair value of investments	62,338,851
Fixed income securities	2,898,079
Equity securities	3,670,960
Alternative investments	10,857
Other miscellaneous income	11,531
Total investment income	<u>68,930,278</u>
Investment expenses	<u>(2,014,387)</u>

Net income (loss) from investing activities	<u>66,915,891</u>
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#### Securities lending activities:

Income	196,709
Expenses	(51,083)
Net increase in fair value of re-invested collateral	<u>319,943</u>
Net income from securities lending activities	465,569
Total net investment income (loss)	<u>67,381,460</u>

Other income	<u>3,918</u>
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Total additions	<u>98,932,516</u>
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### DEDUCTIONS:

Benefits	22,368,902
Refunds of member contributions	3,658,100
Defined contribution plan matching contribution	2,531,548
Administrative expense	<u>2,089,424</u>
Total deductions	<u>30,647,974</u>

Net increase	68,284,542
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#### Net position-restricted for pension benefits

Beginning of year	<u>348,915,519</u>
End of year	<u>\$417,200,061</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

# CERF Demographics

(Data as of December 31, 2013)

Active Participants	10,970
Retired Members and Beneficiaries	3,985
Terminated Vested Participants	1,875

Sum of Death Benefits (since inception)	\$ 4,190,000
Sum of Remaining Buy Back Balances	\$ 141,307
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$176,674,262

Average Gross Monthly Benefit	\$491.21
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## Summary of County Receipts for 2013

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Fees
\$5,762,731	\$1,093,740	\$8,056,301	\$59,856	\$10,034,205	\$1,063,647	\$5,376,260

**County Employees' Retirement Fund**  
*2121 Schotthill Woods Drive*  
*Jefferson City, MO 65101*

Presort Standard  
U.S. Postage Paid  
Jefferson City, MO  
Permit No. 210